

FISCAL NOTE

SB 2798 - HB 3177

March 12, 1998

SUMMARY OF BILL: Requires group health insurance plans to provide coverage for mental health services at the same rates and terms as coverage for medical conditions. Such coverage is to be phased in with at least fifty percent completed by July 1, 1999, seventy-five percent by July 1, 2000 and complete coverage by July 1, 2001.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - Increase Expenditures - Exceeds \$1,000,000 Health Industry*

This bill requires health care plans that offer medical coverage to also offer coverage for mental health services that has the same rates and terms as the coverage provided for all medical and surgical conditions.

This bill will not directly impact the state employee plan or most local government health insurance plans, since Federal law (ERISA) exempts self-insured plans. Mental health services provided under TennCare meet the requirements of the bill.

Federal legislation (Mental Health Parity Act) enacted in 1996, effective January 1, 1998 prohibited health insurance plans covering more than 50 employees from having lower annual and lifetime dollar limits for mental illness treatment than for other disorders covered under the health plan. This act also applied to self-insured plans and caused some changes to state and local government health care plans. The proposed bill exceeds the limits imposed by the federal act.

Estimated expenditures assume that mandating such coverage for health care plans will increase claims payments for mental health services significantly. Many plans have limits on mental health services that do not exist for medical services. Estimate assumes that this bill would eliminate such differences and will increase cost of participant utilization. The amount of increased expenditures to the industry cannot be determined but is estimated to exceed \$1,000,000.

*The impact on the health industry is included as required by Chapter 244 of the Public Acts of 1989.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director